

## Policy 7-004: University Faculty Profit-Making Corporations

Revision #0. Effective date: December 10, 1969

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### I. Purpose and Scope

#### A. Purpose.

To provide a Policy statement regarding university faculty and profit-making corporations.

University faculty members are increasingly becoming involved in profit-making corporations in which they hold substantial stock interest and in which they are active participants. These corporations may have a substantial beneficial influence on the economic growth of the State; and the associations derived by the faculty member from participation in the corporations may, in most cases, have a beneficial influence on the faculty member's teaching and research capabilities. Consequently, it would not be in the university's interest to preclude this type of association. However, since these associations carry with them the possibility of adverse comment from individuals concerned with the integrity of

academic responsibility, some clarification of the rules and regulations with regard to such associations must be made.

B. Scope.

[reserved]

**II. Definitions**

[reserved]

**III. Policy**

A. Extent of Participation Permitted University faculty and/or administrators may participate in such corporations as consultants, employees, members of the board of directors or as chairman of the board of directors so long as such outside time and effort do not impair their full and proper execution of their university assignments. Such efforts must be disclosed to the cognizant department chairman, dean or vice president and shall conform to existing university rules and regulations including the conflict of interest Policy in the requirement for disclosure of consulting obligations.

B. Patents and Inventions

1. Patents developed by university personnel using university time, material or facilities are the property of the university subject to conditions specified by university policies.
2. In the case of individuals involved in private corporations there can be no exception to the requirement for a signed patent assignment agreement. This shall include all part-time faculty involved in university research.
3. Further, all inventions produced jointly between the university and the corporation shall become the exclusive property of the university except that the corporation shall have the option of obtaining non-exclusive license with royalty terms to be negotiated. Should the university elect not to patent jointly-produced inventions, the corporation may petition in writing to the

university for patent rights which shall be granted within 90 days unless otherwise advised by the university.

4. Because this is a state-supported institution and because most research is federally-supported and subject to federal regulations, faculty members cannot be given a favored position in respect to invention patents. The fact that they or members of their departments were the inventor(s) does not insure licensing of that item to a corporation in which they hold special interest. Each assignment or license must be negotiated with the university in open competition with all firms (or individuals) expressing an interest. Terms for all assignments or licenses must conform to all pertinent federal agency rules, regulations, and restrictions.
  5. Should a firm be licensed to manufacture an invention that was developed by a faculty member who is a participant in a competing firm, that faculty member shall give full, unrestrained disclosure and assistance to the licensee firm. Also, during negotiations, full and unrestrained disclosure shall be made to all competing firms or individuals.
  6. The university's patent royalty agreement shall apply equally to all licensing agreements.
- C. Private Research or Development in the University Ordinarily all research or development done in the university for firms in which faculty members are participants shall be on a time and material contract basis through the engineering experiment station. All such work shall be on a full overhead basis and shall be subject to approval by the department head. Invention and patent rights to such contracts shall be negotiated with the university.
- D. Purchasing from Faculty Associated Corporations Care shall be exercise in purchases made for the university and purchases shall not be made preferentially from the corporation in which a faculty member holds an interest. All such purchases shall be made on an open bid basis by Procurement & Contracting Services.

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*Parts IV-VII of this Regulation are regulations resource information – the contents of which are not approved by the Academic Senate or Board of Trustees and are to be updated from time to time as determined appropriate by the cognizant Policy Officer and the Institutional Policy Committee, as per Policy 1-001 and Rule 1-001.*

#### **IV. Policies/ Rules, Procedures, Guidelines, Forms and other Related Resources**

- A. Policies/ Rules. [reserved]
- B. Procedures, Guidelines, and Forms. [reserved]
- C. Other Related Resources. [reserved]

#### **V. References**

- A. Policy 1-006: Conflict of Interest

#### **VI. Contacts**

The designated contact officials for this regulation are

- A. Policy Owner(s) (primary contact person for questions and advice): Vice President for Research
- B. Policy Officer(s): Vice President for Research

See Rule 1-001 for information about the roles and authority of policy owners and policy officers.

#### **VII. History**

- A. Current version. Revision 0.
  - 1. Effective December 10, 1969
  - 2. Editorial Revisions
    - a. Editorially revised August 1, 2022 to move policy to current template
- B. Previous versions

C. Renumbering

1. Renumbered from Policy and Procedures Manual 6-3.